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ABSTRACT

According to an analysis by the AFL-CIO, unemployment is still a problem 4 years after the end of the last recession. Since that time, although employment is up, many jobs lack adequate pay and benefits and many jobs are insecure. In addition, 7.7 million people are still jobless, compared to fewer than 3 million in the 1960s. In addition, the official employment rate understates the extent of unemployment and underemployment. Unemployment is highest for inner-city residents, teens, blacks, and Hispanics. Job quality is also declining, with poorly paid service jobs replacing better-paid manufacturing jobs and temporary and part-time work becoming increasingly common. About 1.5 million workers are dislocated each year. Despite the rise in jobs, workers have not shared in the wealth they help create. Top officials of corporations have seen soaring pay increases whereas worker pay has been held down. Average weekly earnings at the end of 1994 were 12 percent below the 1979 level, in dollars adjusted for inflation. Despite 4 years of economic expansion, unemployment is still a problem and many groups have been left behind. According to the AFL-CIO, a number of measures should be taken to reduce unemployment, such as job training and assistance for workers dislocated by plant closings. (KC)

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AFL-CIO Reviews the Issues

Report No. 80
May, 1995

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Unemployment Still a Problem After Four Years of Economic Recovery

Four years after the March 1991 end of the last recession, employment problems still linger. The national jobless rate, which had been in the 5.4-5.5 percent range, jumped to 5.8 percent in April 1995.

The expansion has produced 7.5 million new jobs. There has been steady productivity growth. Profits are up. Inflation is low. Yet, many lack adequate pay and benefits or their jobs are insecure.

Despite the general prosperity, many fear their jobs will be shipped overseas, taken away by new technology or downsized away and that they can't do anything about it. They have little control over their lives.

Many fear for their ability to put children through school or their access to affordable health care. After a lifetime of hard work, they wonder if they will have a secure old age.

Although they work hard and contribute to the profits of their employers, they are not getting their fair share.

In April 1995, unemployment stood at 5.8 percent, a good deal below recession levels. The jobless rate had some way to go, however, to reach the 5.0 percent recent low of March 1989 or the 4 percent full-employment goal of the Humphrey-Hawkins law. The rate could rise if the economy weakens in 1995. Many who are not counted in the official rates are still jobless or underemployed. Thus, despite gains in recovering from the 1990-1991 recession, the creation of new jobs and a big drop in unemployment, many workers feel vulnerable and dissatisfied.

Unemployment Still A Problem

Unemployment remains a problem for numerous groups in society and in impacted areas.

At the present time, there are 7.7 million people who are officially jobless. While down from previous highs, this number isn't small. It is larger than the entire population of the State of Massachusetts and almost as large as that of New Jersey.

If unemployment were concentrated in one place, it could be considered a national disaster. Even though it is spread across the country, unemployment hurts those affected, their families and their communities.

In a country where there are now about 116 million people working, 7.7 million jobless doesn't sound high. But during the late 1960s, the annual number of officially jobless workers amounted to less than 3 million for several years.

The official unemployment rate of 5.8 percent understates the extent of unemployment and underemployment. Adding 4.5 million workers on part-time for economic reasons and 1.4 million other available workers (available and searched fruitlessly for work in the past year) to those officially jobless, results in 13.5 million suffering.

This total is equivalent to the entire population

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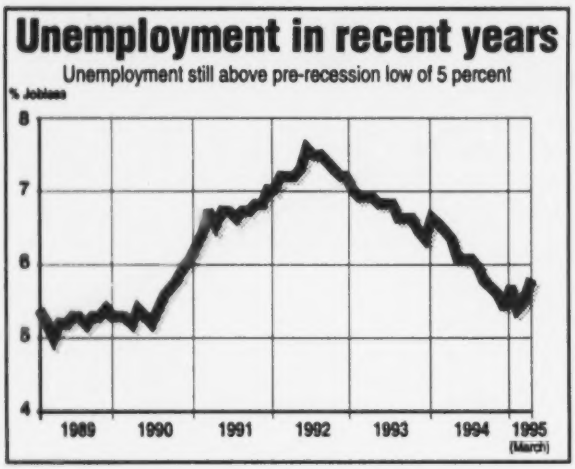


of the Mountain States of Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona and Utah.

The jobless rate is still high in some major states. In California, for example, recession has dragged on. Recovery has been slowed also by relentless defense downsizing. The California jobless rate was 7.9 percent in April. Unemployment was 6.3 percent in New Jersey and 6.8 in New York. West Virginia's rate was 8.2 percent. Joblessness is still high in many states in the South and East and parts of New England.

Unemployment in a number of cities is quite high, like in California and Texas. For example, Bakersfield, California had 15.1 unemployment. Fresno, 16 percent, Brownsville, 10.9 percent, Laredo, 12 percent, McAllen, 16.5.Washington, D.C. had a rate of 8.1 percent, Jersey City, 8.8, New York City, 9 percent.

Who Are The Unemployed?

Official unemployment was much higher than average for some, such as inner-city residents, teens, blacks and those of Hispanic origin. Many in these groups have been left behind.

	Unemployment Rate
All workers	5.8 %
Adult men	4.9
Adult women	5.2
Teenagers	17.5
Blacks	10.7
Hispanic origin	8.8
Black teens	35.6

Job Quality Slipping

The quality of jobs has been problematical. There is a good deal of churning in the job market. Jobs are lost. Others are created. Industries grow, change, decline. Statistical evidence documents people's fear for their jobs and the impression of declining job quality.

Last year the U.S. Department of Labor found that over 5 years, many jobs were added in industries such as services where wages are lower than average, while higher-paying manufacturing jobs disappeared. Many new jobs were in higher-paying occupations such as executives and professionals, not filled by displaced factory workers.

At the same time, there have also been big increases in low-paid services, such as food service, cleaning people, security guards and health service workers. There has been a jump in contingent work—temporary, part-time, contract work. These jobs often lack benefits such as health insurance and pensions.

Over the past 4 years, temporary services personnel jobs (employment agency and help supply temps) jumped by a million or 75 percent, compared with a 7 percent jump in jobs overall. Roughly one in seven of all added jobs over the past 4 years are temporary services jobs.

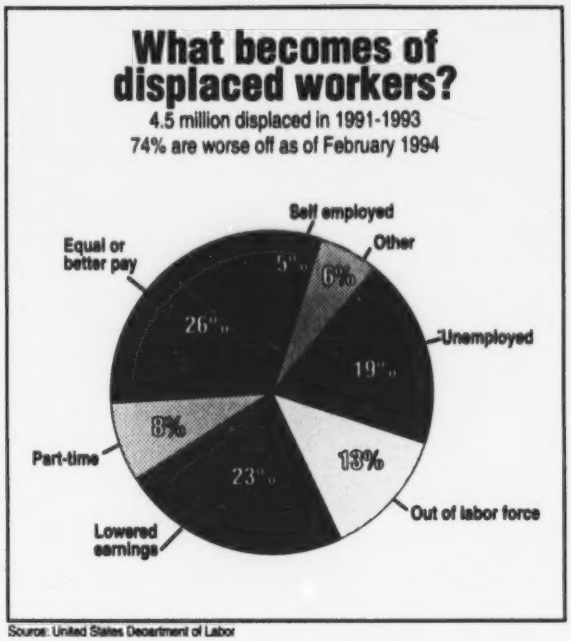
People who have temporary or contract employment without benefits upon which they and their families can depend often complain that while they have "work," they don't feel like they have real "jobs."

Dislocated Workers

About 1.5 million workers are dislocated each year from jobs they held for 3 years or more. Their plants close. Their jobs are contracted out, downsized away, privatized, "civilianized" or shipped overseas. Some of these find comparable or even better jobs after dislocation—maybe one in four. Seventy-four percent aren't so lucky.

In a recent U.S. Labor Department survey, about a quarter had lowered earnings, about a quarter worked only part-time or left the labor force and almost 20 percent ended up jobless.

The Census bureau has studied average weekly earnings of adults aged 25 to 54 who left a full-time job, were jobless for at least 1 month and then entered a full-time job. Men saw their average



Source: United States Department of Labor

weekly earnings drop 20 percent, from $529 in their old job to $423 in their new one, according to the Census Bureau survey covering the early 1990s. For women, the comparable decline was from $397 to $305, a 22 percent drop. Leaving a job also often meant losing employer-provided health insurance.

Weak Worker Income

Despite the rise in jobs flowing from the recovery, workers have not shared in the wealth they help create.

Profits of the S&P 500 companies rose 40 percent last year. Stockholders have seen their wealth increase through share appreciation and growing profits and dividends. CEO pay has skyrocketed. Worker pay has been held down, however, by foreign competition and ongoing downsizing of firms. Average weekly earnings of workers rose 2.7 percent last year, barely keeping pace with the rate of inflation.

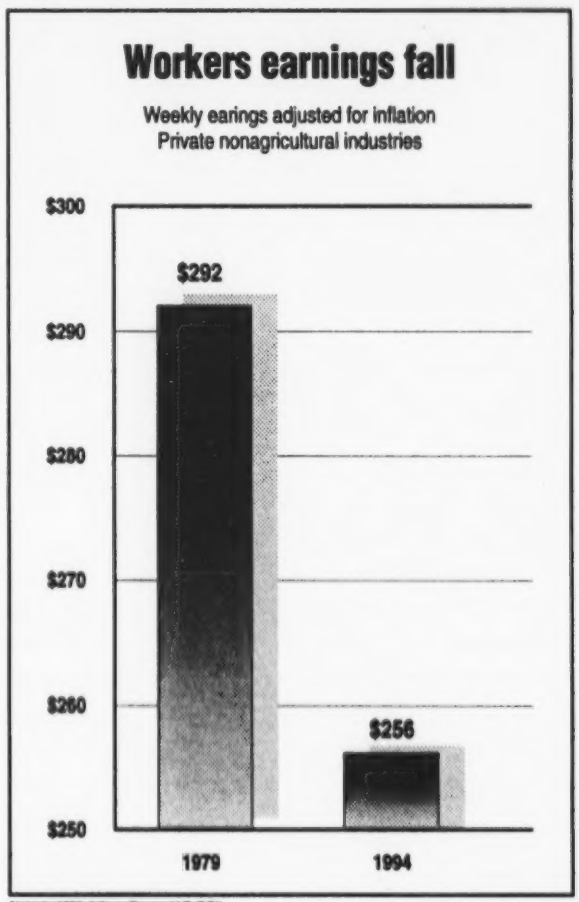
Average weekly earnings at the end of 1994 in the U.S. were 12 percent below the 1979 level, in dollars adjusted for inflation, reflecting a long-term downward trend.

The wages element of the Employment Cost Index for private industry rose 12.8 percent, less than inflation (13.4 percent) over the last 4 years, while the benefits element rose by 21.6 percent. Average weekly earnings fell by 1.3 percent over the last 4 years in inflation-adjusted dollars. In the four years before that, wages rose by 16 percent, compared with price rises of 19 percent.

The value of the minimum wage has fallen as lawmakers have failed to raise it to make up for inflation. The minimum wage is now $4.25 per hour and has been at this level since 1991. The high point in purchasing power of the minimum wage, in 1968, translates to a minimum wage of $6.29 per hour today. The historic level of minimum wage, 50 percent of average hourly earnings, calls for a rate of $5.69 today.

There has also been a loss of well-paying factory jobs (almost a million since mid-1990), due to trade and plant shutdowns.

Massive layoffs are a daily event, throwing thousands at a time onto the labor market. This has served to keep wages down as well as to add to workers' personal insecurity. In addition to the huge downsizings and layoffs announced over the



Note: in 1982 dollars; Source U.S. DOL

last several years, the following are examples reported in January and February 1995:

	Lost Jobs
American Home Products	4,000
Boeing	7,300
Continental Airlines	4,000
Northrup Grumman	1,100
Allied Signal	1,000
American Express	2,000
American President Companies	1,000
First Interstate	3,053
First Data	1,400
General Motors	3,300
Public Services Company	1,100
Northrup Grumman	9,000
Tandy	1,400

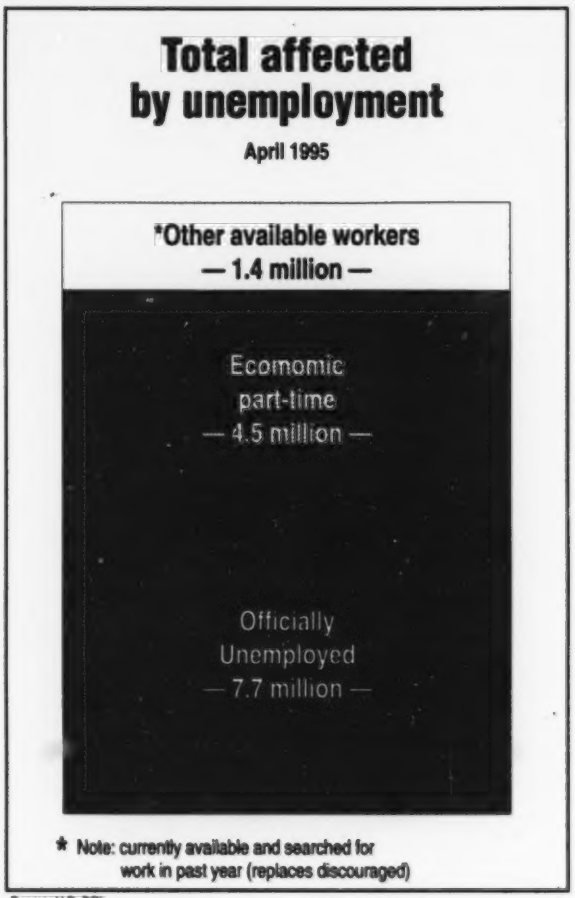
Future Prospects

Despite four years of economic expansion, unemployment is still a problem. Inflation has been low, less than 3 percent each of the 3 last years. Capacity has been supplemented overseas, lifting constraints on production. Consumer spending and investment have been solid and profits high.

The four-year expansion has been weak and uneven. Despite reduced unemployment, areas of the country and many groups have been left behind and are jobless or underemployed. Although lower than in some time, unemployment is well above the Humphrey-Hawkins full employment level of 4 percent. If the economy slows down later in 1995, it is possible that unemployment will rise further.

The Republican massive cuts in federal programs are curtailing investment in education, worker training and roads, highways and mass transit. Infrastructure investment, for example, supports business and job development and increases growth. Cutting the budget reduces overall demand, slows growth and job creation.

Wages adjusted for inflation have fallen even as the economy has grown. Further rises in interest rates engineered by the Federal Reserve could dampen things and keep the nation from full employment. Monetary policy should be conducted so as to balance the goals of price stability with employment.


Total affected by unemployment
April 1995
*Other available workers
— 1.4 million —
Economic part-time
— 4.5 million —
Officially Unemployed
— 7.7 million —
* Note: currently available and searched for work in past year (replaces discouraged)
Source: U.S. DOL

A number of measures should be taken to reduce unemployment in the line of job training and help for those hurt by trade, including Trade Adjustment Assistance and NAFTA/TAA. Assistance for economic conversion can assure that workers are re-employed from defense industries in useful and productive jobs. Support for worker involvement in technology can improve productivity and preserve jobs.

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